

Message Text

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ORIGIN ARA-10

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L STATE 020570

E.O. 11652: GDS

TAGS: EINV, AR

SUBJECT: EXPROPRIATION CASES IN ARGENTINA

REF: STATE 11922, BUENOS AIRES 529

, ON JANUARY 23 DEPUTY ASSISTANT SECRETARY FISHLOW
TELEPHONED ARGENTINE ECONOMY SECRETARY GUIDO DI TELLA AS
HAD BEEN AGREED IN HIS JANUARY 16 CONVERSATION WITH
AMBASSADOR VAZQUEZ. FISHLOW EXPRESSED THE HOPE THAT WE
MIGHT COLLABORATE IN THE ATTEMPT TO SOLVE THE OUTSTANDING
EXPROPRIATION PROBLEMS. DI TELLA UNDERSTOOD THE NEED FOR
PROMPT AND MEANINGFUL PROGRESS AND OUTLINED THE STEPS THAT
HAD BEEN TAKEN IN TWO OF THE FOUR OUTSTANDING CASES.

2. DI TELLA SAID THAT A DECREE HAD BEEN PREPARED TO
SETTLE THE CHASE MANHATTAN CASE AND HE HOPED IT WOULD BE
SIGNED BY THE PRESIDENT WITHIN THE NEXT WEEK. THE DECREE
WOULD FORMALLY EXPROPRIATE THE HOLDINGS OF CHASE MANHATTAN
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AND WOULD SPECIFY THE METHOD FOR DETERMINING THE VALUE OF

THE ASSETS AS WELL AS CORRECTING FOR INFLATION. THE NEXT STEP WOULD BE FOR CHASE MANHATTAN TO SPECIFY THE COMPOSITION OF THE SYNDICATE OF THE INVESTMENT BANK THEY WOULD LIKE TO ESTABLISH IN ARGENTINA. THE GOA WOULD THEN INTRODUCE A LAW INTO THE CONGRESS ESTABLISHING SUCH AN INVESTMENT BANK. THE COMPENSATION FOR THE COMMERCIAL BANK

HOLDINGS WOULD THEN BE INVESTED IN THE NEW INSTITUTION.

3. DI TELLA SAID HE HAD JUST COME FROM A MEETING WITH JACK GUILFOYLE AND OTHER ITT REPRESENTATIVES, WHO HAD INDICATED THEIR DISAPPROVAL FOR THE GOA'S PLAN FOR THE RESOLUTION OF THE INVESTMENT PROBLEM. THE GOA HAD BEEN PREPARING A DECREE FOR APPROVAL WITHIN THE NEXT TWO WEEKS, WHICH WOULD PERMIT ITT AND SIEMENS TO OBTAIN COMPENSATION FOR THEIR ASSETS BY TAKING ON LOCAL PARTNERS. SIEMENS FOUND THIS COURSE OF ACTION ACCEPTABLE, BUT, TO DI TELLA'S DISAPPOINTMENT, ITT APPARENTLY DOES NOT FIND THIS PROPOSAL ATTRACTIVE. IN THE MEANWHILE, THE GOA WAS APPOINTING TWO COMMISSIONS TO DEAL WITH THE PROBLEM. ONE WOULD BE RESPONSIBLE FOR THE ALLOCATION OF NEW ORDERS FOR COMMUNICATIONS EQUIPMENT AND THE OTHER WOULD WORK TOWARD A VALUATION OF THE ASSETS OF STANDARD ELECTRIC FOR PURCHASE BY THE GOA.

4. DI TELLA SAID HE WAS LESS FAMILIAR WITH THE STATE-OF-PLAY OF THE ESSO CASE, BUT THOUGHT MOVEMENT MIGHT OCCUR WITHIN THE NEXT THIRTY DAYS. HE SAW THREE ALTERNATIVES: (1) THE GOA MIGHT RENT THE ASSETS FROM ESSO, MANAGING THE DISTRIBUTION NETWORK ITSELF, (2) A VARIANT IN WHICH ESSO WOULD ALSO MANAGE THE DISTRIBUTION FACILITIES AND RECEIVE A CORRESPONDING FEE FOR THIS PURPOSE, (3) PERMIT ESSO FULLY TO RETAIN ITS COMMERCIAL OPERATIONS IN OILS AND LUBRICANTS, BUT NOT IN GASOLINE. DI TELLA REGARDED THE THIRD AS MOST DESIRABLE, BUT FELT THAT SINCE IT WAS NOT ACCEPTABLE TO SHELL IT MIGHT NOT BE POSSIBLE TO OFFER IT TO ESSO.

5. WHEN ASKED ABOUT THE DELTEC CASE, DI TELLA SAID THIS
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WAS EXTRAORDINARILY COMPLEX IN ALL ITS DIMENSIONS, NOT LEAST BECAUSE OF THE CONTINUING COURT ACTIONS. HE NONETHELESS PROMISED TO FOCUS ON IT AND BE PREPARED TO DISCUSS IT IN MORE DETAIL NEXT WEEK.

6. FISHLOW AND DI TELLA AGREED TO SPEAK AGAIN AT THE END OF THE FOLLOWING WEEK. KISSINGER

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